

The Energy And Technology Committee

February 28, 2006

House Bill 5521: AAC JUST AND REASONABLE ELECTRIC RATES

Testimony of

The Office of Consumer Counsel

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The Office of Consumer Counsel (OCC), has carefully reviewed Raised H. B. 5521: AAC Just and Reasonable Electric Rates and believes that establishing a public power authority that can be called on to produce and acquire electric power as well as to procure electric generation service contracts for standard service is a viable option to improve Connecticut's future energy prices and electric supply situation.

In Connecticut no sizeable generating facilities have come on line for many years. Two generating plants that have been permitted sit in uncompleted state. Given Connecticut's tight electric supply and the difficulty of completing generation plants even after they are permitted, creating a State Power Authority to acquire and complete generation facilities seems like a fair and reasonable idea.

The establishment of public power authorities has been successful in the neighboring state of New York. The New York Power Authority (NYPA) is the largest single generator in the state and not only owns the Niagara and St Lawrence hydro projects that provide very inexpensive and reliable power, it also owns pumped storage units and base load and gas peaking units in New York City. NYPA also owns several thousand miles of transmission lines in the state. NYPA has super eminent domain power that can trump local municipal zoning when necessary to get transmission or generation facilities built.

The New York State Energy Plan includes a section recognizing the possibility that the market approach to developing power plant resources may fail because of financing risks, etc., and that the state will need to act to prevent reliability or price crises. These action steps include various mechanisms to provide a safety net in the event market forces do not provide sufficient demand reduction and supply resources in a timely

and effective manner. In the past several years, NYPA and the Long Island Power Authority (LIPA) have responded to both of these areas.

The NYPA "backstop" has been used several times to the advantage of the State. For example, in 2000, when the NY City area was experiencing huge price increases, NYPA jumped in and quickly built 11 single cycle gas fueled generation peaking plants, which tamed the energy spot markets. This was thought to be a temporary solution until "the market" brought the needed base load. Now NYPA is building a new base load plant in Queens, because New York's locational installed capacity ("LICAP") market did not lead to construction of power plants. Eight merchant (privately owned) plants approved for construction have yet to be completed and there is no projected completion date for these units. The Governor of New York is calling for state financing of "advanced clean coal power plants." LIPA is now buying two Keyspan generating plants that are to be re-powered.

NYPA and LIPA have been called on to address many of the same problems we are facing as to electricity supply and costs here in Connecticut. Leaving these essential services entirely to the market does not serve the best interests of Connecticut. Having a similar tool available to the State of Connecticut officials would empower Connecticut's public officials to take action in times of extraordinary volatility on price or curtailment in supply that would endanger the health, safety, and welfare of the state and its citizens.

The OCC would very much want to participate in all activities related to this bill and believes it can bring detailed expertise that will serve to make this bill a force for positive change.